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LEGISLATIVE PROPOSAL ENTITLED, "STRENGTHEN SOCIAL SECURITY AND MEDICARE ACT OF 1999"

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

A LEGISLATIVE PROPOSAL ENTITLED, "STRENGTHEN SOCIAL SECURITY AND MEDICARE ACT OF 1999"

OCTOBER 26, 1999.—Message and accompanying papers referred to the Committees on Ways and Means, Rules, and the Budget and ordered to be printed

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To the Congress of the United States:

I transmit herewith for your immediate consideration a legislative proposal entitled the "Strengthen Social Security and Medicare Act of 1999."

The Social Security system is one of the cornerstones of American national policy and together with the additional protections afforded by the Medicare system, has helped provide retirement security for millions of Americans over the last 60 years. However, the long-term solvency of the Social Security and Medicare trust funds is not guaranteed. The Social Security trust fund is currently expected to become insolvent starting in 2034 as the number of retired workers doubles. The Medicare system also faces significant financial shortfalls, with the Hospital Insurance Trust Fund projected to become exhausted in 2015. We need to take additional steps to strengthen Social Security and Medicare for future generations of Americans.

In addition to preserving Social Security and Medicare, the Congress and the President have a responsibility to future generations to reduce the debt held by the public. Paying down the debt will produce substantial interest savings, and this legislation proposes to devote these entirely to Social Security after 2010. At the same time, by contributing to the growth of the overall economy debt reduction will improve the Government's ability to fulfill its responsibilities and to face future challenges, including preserving and strengthening Social Security and Medicare.

The enclosed bill would help achieve these goals by devoting the entire Social Security surpluses to debt reduction, extending the solvency of Social Security to 2050, protecting Social Security and Medicare funds in the budget process, reserving one-third of the non-Social Security surplus to strengthen and modernize Medicare, and paying down the debt by 2015. It is clear and straightforward legislation that would strengthen and preserve Social Security and Medicare for our children and grandchildren. The bill would:

- Extend the life of Social Security from 2034 to 2050 by reinvesting the interest savings from the debt reduction resulting from Social Security surpluses.
- Establish a Medicare surplus reserve equal to one-third of any on-budget surplus for the total of the period of fiscal years 2000 through 2009 to strengthen and modernize Medicare.
- Add a further protection for Social Security and Medicare by extending the budget enforcement rules that have provided the foundation for our fiscal discipline, including the discretionary caps and pay-as-you-go budget rules.

I urge the prompt and favorable consideration of this proposal.

WILLIAM J. CLINTON.

THE WHITE HOUSE, *October 26, 1999.*

A BILL

To protect and provide resources for the Social Security System, to reserve surpluses to protect, strengthen and modernize the Medicare Program, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Strengthen Social Security and Medicare Act of 1999."

SEC. 2. FINDINGS AND PURPOSE.

(a) FINDINGS. – The Congress finds that:

(1) The Social Security system is one of the cornerstones of American national policy and has allowed a generation of Americans to retire with dignity. For 30 percent of all senior citizens, Social Security benefits provide almost 90 percent of their retirement income. For 66 percent of all senior citizens, Social Security benefits provide over half of their retirement income. Poverty rates among the elderly are at the lowest level since the United States began to keep poverty statistics, due in large part to the Social Security system. The Social Security system, together with the additional protections afforded by the Medicare system, have been an outstanding success for past and current retirees and must be preserved for future retirees.

(2) The long-term solvency of the Social Security and Medicare trust funds is not assured. There is an estimated long-range actuarial deficit in the Social Security trust funds. According to the 1999 report of the Board of Trustees of the Social Security trust funds, the accumulated balances in the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund are currently projected to become

unable to pay benefits in full on a timely basis starting in 2034. The Medicare system faces more immediate financial shortfalls, with the Hospital Insurance Trust Fund projected to become exhausted in 2015.

(3) In addition to preserving Social Security and Medicare, the Congress and the President have a responsibility to future generations to reduce the Federal debt held by the public. Significant debt reduction will contribute to the economy and improve the Government's ability to fulfill its responsibilities and to face future challenges, including preserving and strengthening Social Security and Medicare.

(4) The Federal Government is now in sound financial condition. The Federal budget is projected to generate significant surpluses. In fiscal years 1998 and 1999, there were unified budget surpluses – the first consecutive surpluses in more than 40 years. Over the next 15 years, the Government projects the on-budget surplus, which excludes Social Security, to total $2.9 trillion. The unified budget surplus (including Social Security) is projected by the Government to total $5.9 trillion over the next 15 years.

(5) The surplus, excluding Social Security, offers an unparalleled opportunity to: preserve Social Security; protect, strengthen, and modernize Medicare; and significantly reduce the Federal debt held by the public, for the future benefit of all Americans.

(b) PURPOSE. – It is the purpose of this Act to protect the Social Security surplus for debt reduction, to extend the solvency of Social Security, and to set aside a reserve to be used to protect, strengthen, and modernize Medicare.

SEC. 3. ADDITIONAL APPROPRIATIONS TO FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND FEDERAL DISABILITY INSURANCE TRUST FUND.

(a) PURPOSE. – The purpose of this section is to assure that the interest savings on the debt held by the public achieved as a result of Social Security surpluses from 2000 to 2015 are dedicated to Social Security solvency.

(b) ADDITIONAL APPROPRIATION TO TRUST FUNDS. – Section 201 of the Social Security Act is amended by adding at the end the following new subsection:

"(n) ADDITIONAL APPROPRIATION TO TRUST FUNDS.

"(1) In addition to the amounts appropriated to the Trust Funds under subsections (a) and (b), there is hereby appropriated to the Trust Funds, out of any moneys in the Treasury not otherwise appropriated–

"(A) for the fiscal year ending September 30, 2011, and for each fiscal year thereafter through the fiscal year ending September 30, 2016, an amount equal to the prescribed amount for the fiscal year; and

"(B) for the fiscal year ending September 30, 2017, and for each fiscal year thereafter through the fiscal year ending September 30, 2044, an amount equal to the prescribed amount for the fiscal year ending September 30, 2016.

"(2) The amount appropriated by paragraph (1) in each fiscal year shall be transferred in equal monthly installments.

"(3) The amount appropriated by paragraph (1) in each fiscal year shall be allocated between the Trust Funds in the same proportion as the taxes imposed by chapter

21 (other than sections 3101(b) and 3111(b)) of Title 26 with respect to wages (as defined in section 3121 of Title 26) reported to the Secretary of the Treasury or his delegate pursuant to subtitle F of Title 26, and the taxes imposed by chapter 2 (other than section 1401(b)) of Title 26 with respect to self-employment income (as defined in section 1402 of Title 26) reported to the Secretary of the Treasury or his delegate pursuant to subtitle F of Title 26, are allocated between the Trust Funds in the calendar year that begins in the fiscal year.

"(4) For purposes of this subsection, the "prescribed amount" for any fiscal year shall be determined by multiplying:

"(A) the excess of:

"(i) the sum of:

"(I) the face amount of all obligations of the United States held by the Trust Funds on the last day of the fiscal year immediately preceding the fiscal year of determination purchased with amounts appropriated or credited to the Trust Funds other than any amount appropriated under paragraph (1); and

"(II) the sum of the amounts appropriated under paragraph (1) and transferred under paragraph (2) through the last day of the fiscal year immediately preceding the fiscal year of determination, and an amount equal to the interest that would have been earned thereon had those amounts been invested in obligations of the

United States issued directly to the Trust Funds under subsections (d) and (f),

"over–

"(ii) the face amount of all obligations of the United States held by the Trust Funds on September 30, 1999,

"times–

"(B) a rate of interest determined by the Secretary of the Treasury, at the beginning of the fiscal year of determination, as follows:

"(i) if there are any marketable interest-bearing obligations of the United States then forming a part of the public debt, a rate of interest determined by taking into consideration the average market yield (computed on the basis of daily closing market bid quotations or prices during the calendar month immediately preceding the determination of the rate of interest) on such obligations; and

"(ii) if there are no marketable interest-bearing obligations of the United States then forming a part of the public debt, a rate of interest determined to be the best approximation of the rate of interest described in clause (i), taking into consideration the average market yield (computed on the basis of daily closing market bid quotations or prices during the calendar month immediately preceding the determination of the rate of interest) on investment grade corporate obligations selected by the Secretary of the Treasury, less an adjustment made by the Secretary of the

Treasury to take into account the difference between the yields on corporate obligations comparable to the obligations selected by the Secretary of the Treasury and yields on obligations of comparable maturities issued by risk-free government issuers selected by the Secretary of the Treasury.".

SEC. 4. PROTECTION OF SOCIAL SECURITY SURPLUSES.

(a) POINTS OF ORDER TO PROTECT SOCIAL SECURITY SURPLUSES. – Section 312 of the Congressional Budget Act of 1974 is amended by adding at the end the following new subsection:

"(g) POINTS OF ORDER TO PROTECT SOCIAL SECURITY SURPLUSES–

"(1) CONCURRENT RESOLUTIONS ON THE BUDGET– It shall not be in order in the House of Representatives or the Senate to consider any concurrent resolution on the budget, or conference report thereon or amendment thereto, that would set forth an on-budget deficit for any fiscal year.

"(2) SUBSEQUENT LEGISLATION–It shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report if - -

"(A) the enactment of that bill or resolution as reported;

"(B) the adoption and enactment of that amendment; or

"(C) the enactment of that bill or resolution in the form recommended in that conference report,

would cause or increase an on-budget deficit for any fiscal year.

"(3) BUDGET RESOLUTION BASELINE.–(A) For purposes of this section, "set forth an on-budget deficit", with respect to a budget resolution, means the resolution sets forth an on-budget deficit for a fiscal year and the baseline budget projection of the surplus or deficit for such fiscal year on which such resolution is based projects an on-budget surplus, on-budget balance, or an on-budget deficit that is less than the deficit set forth in the resolution.

"(B) For purposes of this section, "cause or increase an on-budget deficit" with respect to legislation means causes or increases an on-budget deficit relative to the baseline budget projection.

"(C) For purposes of this section, the term "baseline budget projection" means the projection described in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 of current year levels of outlays, receipts, and the surplus or deficit into the budget year and future years, except that–

"(i) if outlays for programs subject to discretionary appropriations are subject to discretionary statutory spending limits, such outlays shall be projected at the level of any applicable current adjusted statutory discretionary spending limits;

"(ii) if outlays for programs subject to discretionary appropriations are not subject to discretionary spending limits, such outlays shall be projected as required by section 257 beginning in the first fiscal year following the last fiscal year in which such limits applied; and

"(iii) with respect to direct spending or receipts legislation previously enacted during the current calendar year and after the most recent baseline estimate pursuant to section 257 of the Balanced Budget and Emergency Deficit Control Act of 1995, the net extent (if any) by which all such legislation is more than fully paid for in one of the applicable time periods shall count as a credit for that time period against increases in direct spending or reductions in net revenue.".

(b) CONTENT OF CONCURRENT RESOLUTION ON THE BUDGET. – Section 301(a) of the Congressional Budget Act of 1974 is amended by redesignating paragraphs (6) and (7) as paragraphs (7) and (8), respectively, and by inserting after paragraph (5) the following new paragraph:

"(6) the receipts, outlays, and surplus or deficit in the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, combined, established by title II of the Social Security Act;".

(c) SUPER MAJORITY REQUIREMENT. –

(1) Section 904(c)(1) of the Congressional Budget Act of 1974 is amended by inserting "312(g)," after "310(d)(2),".

(2) Section 904(d)(2) of the Congressional Budget Act of 1974 is amended by inserting "312(g)," after "310(d)(2),".

SEC. 5. PROTECTION OF MEDICARE.

(a) POINTS OF ORDER TO PROTECT MEDICARE –

(1) Section 301 of the Congressional Budget Act of 1974 is amended by adding at the end the following:

"(j) POINT OF ORDER TO PROTECT MEDICARE. –

(1) IN GENERAL. -- It shall not be in order in the House of Representatives or the Senate to consider any concurrent resolution on the budget (or amendment, motion, or conference report on the resolution) that would decrease the on-budget surplus for the total of the period of fiscal years 2000 through 2009 below the level of the Medicare surplus reserve for those fiscal years as calculated in accordance with section 3(11).

"(2) INAPPLICABILITY. – This subsection shall not apply to legislation that –

"(A) appropriates a portion of the Medicare reserve for new amounts for prescriptibn drug benefits under the Medicare program as part of or subsequent to legislation extending the solvency of the Medicare Hospital Insurance Trust Fund; or

"(B) appropriates new amounts from the general fund to the Medicare Hospital Insurance Trust Fund.".

(2) Section 311(a) of the Congressional Budget Act of 1974 is amended by adding at the end the following:

"(4) ENFORCEMENT OF THE MEDICARE SURPLUS RESERVE. –

"(A) IN GENERAL. – It shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report that together with associated interest costs would decrease the on-budget surplus for the total of the period of fiscal years 2000 through 2009 below the level of the Medicare surplus reserve for those fiscal years as calculated in accordance with section 3(11).".

"(B) INAPPLICABILITY. – This paragraph shall not apply to legislation that –

"(i) appropriates a portion of the Medicare reserve for new amounts for prescription drug benefits under the Medicare program as part of or subsequent to legislation extending the solvency of the Medicare Hospital Insurance Trust Fund; or

"(ii) appropriates new amounts from the general fund to the Medicare Hospital Insurance Trust Fund.

(b) DEFINITION – Section 3 of the Congressional Budget Act of 1974 is amended by adding at the end the following:

"(11) The term 'Medicare surplus reserve' means one-third of any on-budget surplus for the total of the period of the fiscal years 2000 through 2009, as estimated by the Congressional Budget Office in the most recent initial report for a fiscal year pursuant to section 202(e).".

(c) SUPER MAJORITY REQUIREMENT. –

(1) Section 904(c)(2) of the Congressional Budget Act of 1974 is amended by inserting "301(j)," after "301(i),".

(2) Section 904(d)(3) of the Congressional Budget Act of 1974 is amended by inserting "301(j)," after "301(i),".

SEC. 6. EXTENSION OF DISCRETIONARY SPENDING LIMITS.

(a) EXTENSION OF LIMITS. – Section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended, in the matter before paragraph (A), by deleting "2002", and inserting "2014".

(b) **Extension of Amounts.** – Section 251(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking paragraphs (4), (5), (6) and (7), and inserting the following:

"(4) With respect to fiscal year 2000,

"(A) for the discretionary category: $535,368,000,000 in new budget authority and $543,257,000,000 in outlays;

"(B) for the highway category: $24,574,000,000 in outlays;

"(C) for the mass transit category: $4,117,000,000 in outlays; and

"(D) for the violent crime reduction category: $4,500,000,000 in new budget authority and $5,564,000,000 in outlays;

"(5) With respect to fiscal year 2001,

"(A) for the discretionary category: $573,004,000,000 in new budget authority and $564,931,000,000 in outlays;

"(B) for the highway category: $26,234,000,000 in outlays; and

"(C) for the mass transit category: $4,888,000,000 in outlays;

"(6) With respect to fiscal year 2002,

"(A) for the discretionary category: $584,754,000,000 in new budget authority and $582,516,000,000 in outlays;

"(B) for the highway category: $26,655,000,000 in outlays; and

"(C) for the mass transit category: $5,384,000,000 in outlays;

"(7) With respect to fiscal year 2003,

"(A) for the discretionary category: $590,800,000,000 in new budget authority and $587,642,000,000 in outlays;

"(B) for the highway category: $27,041,000,000 in outlays; and

"(C) for the mass transit category: $6,124,000,000 in outlays;

"(8) With respect to fiscal year 2004, for the discretionary category: $604,319,000,000 in new budget authority and $634,039,000,000 in outlays;

"(9) With respect to fiscal year 2005, for the discretionary category: $616,496,000,000 in new budget authority and $653,530,000,000 in outlays;

"(10) With respect to fiscal year 2006, for the discretionary category: $630,722,000,000 in new budget authority and $671,530,000,000 in outlays;

"(11) With respect to fiscal year 2007, for the discretionary category: $644,525,000,000 in new budget authority and $687,532,000,000 in outlays;

"(12) With respect to fiscal year 2008, for the discretionary category: $663,611,000,000 in new budget authority and $704,534,000,000 in outlays; and

"(13) With respect to fiscal year 2009, for the discretionary category: $678,019,000,000 in new budget authority and $721,215,000,000 in outlays,

"as adjusted in strict conformance with subsection (b).

"With respect to fiscal year 2010 and each fiscal year thereafter, the term "discretionary spending limit" means, for the discretionary category, the baseline amount calculated pursuant to the requirements of Section 257(c), as adjusted in strict conformance with subsection (b).".

SEC. 7. EXTENSION AND CLARIFICATION OF PAY-AS-YOU-GO REQUIREMENT.

Section 252 of the Balanced Budget And Emergency Deficit Control Act of 1985 is amended –

(a) in subsection (a), by striking "October 1, 2002" and inserting "October 1, 2014" and by adding "or decreases the surplus" after "increases the deficit";

(b) (1) in paragraph (1) of subsection (b), by striking "October 1, 2002" and inserting "October 1, 2014" and by adding "or any net surplus decrease" after "any net deficit increase";

(2) in paragraph (2) of subsection (b),

(i) in the header by adding "or surplus decrease" after "deficit increase";

(ii) in the matter before subparagraph (A), by adding "or surplus" after "deficit"; and

(iii) in subparagraph (C), by adding "or surplus" after "net deficit"; and

(3) in the header of subsection (c), by adding "or surplus decrease" after "deficit increase".

SEC. 8. EXTENSION OF BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT. –

Section 275(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking "September 30, 2002" and inserting "September 30, 2014" and by striking "September 30, 2006" and inserting "September 30, 2018".

SEC. 9. EXTENSION OF SOCIAL SECURITY FIREWALL IN CONGRESSIONAL BUDGET ACT. –

Section 904(e) of the Congressional Budget Act of 1974 is amended by striking "September 30, 2002" and inserting "September 30, 2014".

SEC. 10. PROTECTION OF SOCIAL SECURITY INTEREST SAVINGS TRANSFERS.

(a) **Definition of Deficit and Surplus Under Budget Enforcement Act.** – Section 250(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended in paragraph (1) by adding "'surplus'," before "and 'deficit'".

(b) **Reduction or Reversal Of Social Security Transfers Not To Be Counted As Pay-As-You-Go Offset.** – Any legislation that would reduce, reverse or repeal the transfers to the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund made by Section 201(n) of the Social Security Act, as added by Section 3 of this Act, shall not be counted on the pay-as-you-go scorecard and shall not be included in any pay-as-you-go estimates made by the Congressional Budget Office or the Office of Management and Budget under Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985.

(c) **Conforming Change** – Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended, in paragraph (4) of subsection (d), by–

(1) striking "and" after subparagraph (A),

(2) striking the period after the subparagraph (B) and inserting "; and" , and

(3) adding the following:

"(C) provisions that reduce, reverse or repeal transfers under Section 201(n) of the Social Security Act.".

Sec. 11. Conforming Changes.

(a) **Reports.** – Section 254 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended–

(1) in paragraph (3) of subsection (c),

(A) in subparagraph (A), by adding "or surplus" after "deficit";

(B) in subparagraph (B), by adding "or surplus" after "deficit"; and

(C) in subparagraph (C), by adding "or surplus decrease" after "deficit increase";

(2) in paragraph (4) of subsection (f), by adding "or surplus" after "deficit"; and

(3) in subparagraph A of paragraph (2) of subsection (f), by striking "2002" and inserting "2009".

(b) ORDERS. – Section 258A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended in the first sentence by adding "or increase the surplus" after "deficit".

(c) PROCESS. – Section 258(C)(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended–

(1) in paragraph (2), by adding "or surplus increase" after "deficit reduction";

(2) in paragraph (3), by adding "or increase in the surplus" after "reduction in the deficit"; and

(3) in paragraph (4), by adding "or surplus increase" after "deficit reduction".

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